

105TH CONGRESS
2D SESSION

H. R. 4808

To amend the Federal Deposit Insurance Act to permit an affiliation between a depository institution and the holding company successor to the Student Loan Marketing Association under certain circumstances and subject to certain conditions.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 12, 1998

Mr. SNOWBARGER (for himself, Mr. KANJORSKI, and Mr. DAVIS of Virginia) introduced the following bill; which was referred to the Committee on Banking and Financial Services

A BILL

To amend the Federal Deposit Insurance Act to permit an affiliation between a depository institution and the holding company successor to the Student Loan Marketing Association under certain circumstances and subject to certain conditions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Depository Institution-
5 GSE Affiliation Act of 1998”.

1 **SEC. 2. CERTAIN AFFILIATION PERMITTED.**

2 Section 18(s) of the Federal Deposit Insurance Act
3 (12 U.S.C. 1828(s)) is amended—

4 (1) by redesignating paragraph (4) as para-
5 graph (5); and

6 (2) by inserting after paragraph (3) the follow-
7 ing new paragraph:

8 “(4) STUDENT LOANS.—

9 “(A) IN GENERAL.—This subsection shall
10 not apply to any arrangement between the
11 Holding Company (or any subsidiary of the
12 Holding Company other than the Student Loan
13 Marketing Association) and a depository insti-
14 tution, if the Secretary approves the affiliation
15 and determines that—

16 “(i) the reorganization of such Asso-
17 ciation in accordance with section 440 of
18 the Higher Education Act of 1965, as
19 amended, will not be adversely affected by
20 the arrangement;

21 “(ii) the dissolution of the Association
22 pursuant to such reorganization will occur
23 before the end of the 2-year period begin-
24 ning on the date on which such arrange-
25 ment is consummated or on such earlier
26 date as the Secretary deems appropriate:

1 *Provided*, That the Secretary may extend
2 this period for not more than 1 year at a
3 time if the Secretary determines that such
4 extension is in the public interest and is
5 appropriate to achieve an orderly reorga-
6 nization of the Association or to prevent
7 market disruptions in connection with such
8 reorganization, but no such extensions
9 shall in the aggregate exceed 2 years;

10 “(iii) the Association will not purchase
11 or extend credit to, or guarantee or provide
12 credit enhancement to, any obligation of
13 the depository institution;

14 “(iv) the operations of the Association
15 will be separate from the operations of the
16 depository institution; and

17 “(v) until the ‘dissolution date’ (as
18 that term is defined in section 440 of the
19 Higher Education Act of 1965, as amend-
20 ed) has occurred, such depository institu-
21 tion will not use the trade name or service
22 mark ‘Sallie Mae’ in connection with any
23 product or service it offers if the appro-
24 priate Federal banking agency for such de-
25 pository institution determines that—

1 “(I) the depository institution is
2 the only institution offering such
3 product or service using the ‘Sallie
4 Mae’ name; and

5 “(II) such use would result in the
6 depository institution having an unfair
7 competitive advantage over other de-
8 pository institutions.

9 “(B) TERMS AND CONDITIONS.—In ap-
10 proving any arrangement referred to in sub-
11 paragraph (A) the Secretary may impose any
12 terms and conditions on such an arrangement
13 that the Secretary considers appropriate, in-
14 cluding—

15 “(i) imposing additional restrictions
16 on the issuance of debt obligations by the
17 Association; or

18 “(ii) restricting the use of proceeds
19 from the issuance of such debt.

20 “(C) ADDITIONAL LIMITATIONS.—In the
21 event that the Holding Company (or any sub-
22 sidiary of the Holding Company) enters into
23 such an arrangement, the value of the Associa-
24 tion’s ‘investment portfolio’ shall not at any
25 time exceed the lesser of—

1 “(i) the value of such portfolio on the
2 date of the enactment of this subsection; or

3 “(ii) the value of such portfolio on the
4 date such an arrangement is con-
5 summated. The term ‘investment portfolio’
6 shall mean all investments shown on the
7 consolidated balance sheet of the Associa-
8 tion other than—

9 “(I) any instrument or assets de-
10 scribed in section 439(d) of the High-
11 er Education Act of 1965, as amend-
12 ed;

13 “(II) any direct noncallable obli-
14 gations of the United States or any
15 agency thereof for which the full faith
16 and credit of the United States is
17 pledged; or

18 “(III) cash or cash equivalents.

19 “(D) ENFORCEMENT.—The terms and
20 conditions imposed under subparagraph (B)
21 may be enforced by the Secretary in accordance
22 with section 440 of the Higher Education Act
23 of 1965.

1 “(E) DEFINITIONS.—For purposes of this
2 paragraph, the following definition shall
3 apply—

4 “(i) ASSOCIATION; HOLDING COM-
5 PANY.—Notwithstanding any provision in
6 section 3, the terms ‘Association’ and
7 ‘Holding Company’ have the same mean-
8 ings as in section 440(i) of the Higher
9 Education Act of 1965.

10 “(ii) SECRETARY.—The term ‘Sec-
11 retary’ means the Secretary of the Treas-
12 ury.”.

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